



Office of U.S. Rep. Tom Perriello
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MEMORANDUM TO 5TH DISTRICT SMALL BUSINESSES

FROM: U.S. Rep. Tom Perriello, 5th District of Virginia

RE: Small Business Assistance Provisions in the American Recovery and Reinvestment Act

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act, which contains a combination of tax and spending provisions to help small businesses weather the economic downturn.

Below, I have provided an inventory of provisions in the bill designed to help businesses with preliminary information on how these funds may be accessed. Additional details can be found at www.recovery.gov, as well as the Small Business Administration's webpage at www.sba.gov/recovery.

I will continue to keep you apprised of agency rules and RFPs for disbursement of these funds as they become available. I have named Brennan Johnson and Ridge Schuyler as my "Economic Recovery Team." They are available to assist you at 434-293-9631; please do not hesitate to call them or me with any questions you may have.

TAX PROVISIONS: The Recovery Act is designed to help businesses quickly recover the costs of new capital investments that will help create jobs and encourage growth. The bill contains the following tax provisions to help incentivize job creation and growth.

- **Extension of Bonus Depreciation.** Helps businesses quickly recover costs of new capital investments by extending the increased bonus depreciation (an immediate 50% write-off) for businesses making investments in new plants and equipment in 2009.
- **Buying Back Debt.** Provides assistance to companies looking to reduce their debt burdens by delaying the tax on businesses that have discharged indebtedness income, which will help these companies strengthen their balance sheets.
- **Small Business Expensing.** Spurs small business investment by extending increased small business expensing, which doubles the amount small businesses can immediately write off for capital investments and purchases of new equipment made in 2009 from \$125,000 to \$250,000.
- **Small Business Loss Carrybacks.** Increases cash flow for small businesses by providing a 5-year carryback of net operating losses (NOLs). This would allow small businesses (with gross receipts of less than \$15 million) to write off losses incurred in 2008 against taxes assessed over the previous five years (current law limits NOL carryback to the previous two years).
- **Small Business Investment.** Spurs investments in small businesses by cutting the capital gains tax (by increasing from 50 percent to 75 percent the capital gains that are excluded

from tax) for investors in small businesses who buy stock (in the next two years) and hold it for more than five years.

- **3% Government Withholding.** Delays the mandate that federal, state, and local governments withhold three percent of payments to businesses for goods and services, which is supported by the National Small Business Association.
- **Jobs for Unemployed Veterans or Youth.** Encourages new job creation with business tax credits for hiring recently discharged unemployed veterans and youth that have been out of work and out of school for the six months prior to hire.

SMALL BUSINESS ADMINISTRATION LOANS: The ARRA provides over \$700 million in small business loans to free up capital and leverage billions in small business investment. By allowing the Small Business Administration to play a more active role and by unfreezing credit markets, this will give smaller firms access to the capital they need to stay afloat, create jobs and help drive an economic recovery.

- Provides \$375 million for temporary fee reductions or elimination for its 7(a) and 504 loan programs. 7(a) loans may be used to establish a new business or to assist in the operation, acquisition or expansion of an existing business. 504 loans are for fixed asset projects and may be used for purchasing land and improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping; construction of new facilities, or modernizing, renovating or converting existing facilities; or purchasing long-term machinery or equipment.
- Increases the loan guarantee amount from current levels to as much as 90 percent. Presently, the SBA can guarantee loans up to 85 percent on loans up to \$150K and up to 75% on loans greater than \$150K.
- Creates a new loan program to provide deferred payment loans of up to \$35,000 to viable small businesses that need the money to make payments on an existing, qualifying loan for up to six months. These loans will be 100 percent guaranteed by the SBA and repayment will not begin until 12 months after the loan is fully disbursed.
- Guarantees nearly \$3 billion in loans for rural businesses at a time of unprecedented demand due to the credit crunch.

Additional Information on accessing Small Business loans under the ARRA may be obtained at <http://www.sba.gov/recovery/>. You can also contact the SBA regional office in Richmond at (804) 771-2400.

NEW OPPORTUNITIES FOR BUSINESSES: The ARRA contains a number of provisions for businesses in construction and manufacturing, including repairing and modernizing thousands of miles of roads in the U.S., and providing new mass transit options for millions of Americans. Additionally, there are a number of competitive grant programs and other incentives for businesses to expand their footprint and create green jobs. Among these new business opportunities are:

Spurring Renewable Energy: For renewable energy firms, such as wind and solar, the bill includes critical provisions that:

- Provide a three-year extension of the production tax credit (PTC) for electricity derived from wind (through 2012) and for electricity derived from biomass, geothermal, hydropower, landfill gas and waste-to-energy facilities (through 2013).
- Make grants for businesses that begin or complete construction of new renewable energy facilities in 2009 or 2010 for up to 30 percent of the cost of the investment in order to help speed up investment in new facilities and to address current renewable energy credit market concerns.
- Guarantees up to \$60 billion in loans for renewable energy power generation and electric transmission projects that begin in the next two years. These guaranteed loans would help ease credit constraints for renewable energy investors and spur new private sector investment over the next three years.

Making Homes, Schools and Buildings More Energy Efficient: For those who rebuild and renovate our homes and buildings for energy efficiency and savings, including many small businesses such as plumbers and electricians, the bill includes provisions to:

- Improve the energy efficiency of up to 1 million modest-income homes through weatherization;
- Make key energy efficiency upgrades to public housing and HUD-assisted housing with new insulation, windows, and furnaces; and
- Make an historic investment in upgrading federal buildings and making them energy efficient – working to save taxpayers over one billion dollars by slashing energy costs in our federal buildings by 25 percent.

Innovation through Science & Technology: The recovery package also includes nearly \$40 billion in investments in America's IT network infrastructure (including broadband, health IT, and a smarter energy grid).

- Investing in extending broadband and wireless services to underserved communities across the country will grow businesses that procure, produce, deliver, install, and maintain new infrastructure, as well as sectors of the economy that rely on e-commerce, including the retail, education, health care, and real estate industries.
- Providing funding for the aggressive adoption of Health Information Technology systems will create hundreds of thousands of jobs – many of them in high-tech sectors, including computer hardware manufacturing and information technology services.

For more information on grant opportunities for businesses, please contact Brennan Johnson in my office at 434-293-9631.

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